

PUBLIC DISCLOSURE

December 1, 1999

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

SOUTH ADAMS SAVINGS BANK

2 CENTER STREET
ADAMS, MA 01220

DIVISION OF BANKS
ONE SOUTH STATION
BOSTON, MA 02110

<p>NOTE: This evaluation is not, nor should it be construed as, an assessment of the financial condition of this institution. The rating assigned to this institution does not represent an analysis, conclusion or opinion of the Division of Banks concerning the safety and soundness of this financial institution.</p>
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GENERAL INFORMATION

The Community Reinvestment Act (CRA) requires the Division of Banks (Division) to use its authority when examining financial institutions subject to its supervision, to assess the institution's record of meeting the needs of its entire local community, including low and moderate-income neighborhoods, consistent with safe and sound operation of the institution. Upon conclusion of such examination, the Division must prepare a written evaluation of the institution's record of meeting the credit needs of its community.

This document is an evaluation of the Community Reinvestment Act (CRA) performance of **SOUTH ADAMS SAVINGS BANK** prepared by the Massachusetts Division of Banks, the institution's supervisory agency.

INSTITUTION'S CRA RATING: This institution is rated “ Satisfactory ”

The bank's CRA rating is based on five performance criteria which are evaluated within the bank's performance context. The bank's satisfactory rating is based on; (1) an average net loan to deposit ratio of 70.3%; (2) a substantial majority of loans granted within the assessment area; (3) a reasonable lending distribution among borrowers of different income levels; (4) reasonably distributed lending throughout the census tracts comprising the assessment area; and (5) regular implementation of fair lending policies and procedures.

PERFORMANCE CONTEXT

Description of Institution

South Adams Savings Bank is a depositor owned financial institution. The bank's mutual savings bank charter originated over 130 years ago in 1869. South Adams Savings Bank's main office is located in the historic town center of Adams, Massachusetts. In addition, the bank operates two full-service branches located in the towns of Cheshire and Williamstown. All offices provide drive-up window service and 24-hour ATMs. South Adams Savings Bank is a member of the SUM network of financial institutions. As such, it does not levy ATM surcharges to customers of SUM member institutions who utilize the bank's ATMs.

As of September 30, 1999, the bank had total assets of \$145.2 million and total deposits of \$117.1 million. Total loans represent \$88.7 million or 61.1% of total assets. The institution experienced asset and deposit growth of 10.9% and 3.0%, respectively during the two years ending September 30, 1999. Loan growth for the same period was 11.2%. The following table depicts the composition of the bank's loan portfolio.

Loan Portfolio as of September 30, 1999		
Type of Loans	\$'s (000's)	% of Total Loans
Construction & Land Development	1,094	1.2%
Residential Real Estate		
a. 1-4 Family Mortgages	66,691	75.2%
b. Home Equity Lines	5,636	6.3%
Multifamily	1,471	1.7%
Commercial Loans		
a. Commercial R. E.	5,267	5.9%
b. Commercial Loans	937	1.1%
c. Agricultural Loans	266	0.3%
Consumer Loans		
a. Credit Cards	40	0.0%
b. Loans to Individuals	7,375	8.3%
Other Loans		
Less: Unearned Income	42	0.0%
Total	88,735	100.0%

Source: FDIC Call Report of Condition, 9/30/99

South Adams Savings Bank is primarily a residential mortgage lender. However, its diversified loan portfolio includes; equity loans, commercial loans and consumer loans. First mortgage loans secured by 1-4 family properties total \$66.7 million and represent 75.2% of the total loan portfolio. Other residential real estate loans (including equity loans, loans secured by multifamily dwellings and construction loans) represent \$8.2 million or 9.2% of the loan portfolio. Commercial loans (including loans secured by commercial real estate and farm loans) totaled \$6.5 million or 7.3% of the total loan portfolio. Lastly, consumer loans total \$7.4 million and comprise the remaining 8.3% of the bank's loan portfolio.

The bank has direct competition within its assessment area from several financial institutions, as well as numerous mortgage companies. The top five competitors for mortgage lending in 1998 within the defined assessment area were: (1) Greylock Federal Credit Union; (2) City Savings Bank; (3) Adams Co-operative Bank; (4) South Adams Savings Bank; and (5) The Pittsfield Co-operative Bank. These top five lenders held a 50.6 percent market share of all mortgage loan originations reported under the Home Mortgage Disclosure Act (HMDA). (All mortgage lenders are required under the HMDA to report data on their mortgage lending activities to their appropriate regulator.)

South Adams Savings Bank ranked fourth and held a 7.7 percent market share. The top ranked lender, Greylock Federal Credit Union, held a 16.5 percent market share. There were 185 mortgage lenders active within the assessment area in 1998.

The most recent Community Reinvestment Act (CRA) evaluation, performed by the FDIC as of November 9, 1998, assigned a rating of "Satisfactory". The previous evaluation performed by the Commonwealth of Massachusetts as of December 8, 1997 also assigned a rating of "Satisfactory".

Description of Assessment Area

The Community Reinvestment Act (CRA) requires a bank to define an assessment area within which the institution will focus its lending efforts. The Division of Banks evaluates the institution's CRA performance based on the defined assessment area. Generally assessment area(s) are expected to consist of MSAs (Metropolitan Statistical Areas) or contiguous political subdivisions such as counties, cities and towns.

South Adams Savings Bank defines its assessment area as several contiguous municipalities within Berkshire County, Massachusetts. The municipalities include the towns of Adams and Cheshire, Lanesborough, Richmond, Hancock and New Ashford, and the city of Pittsfield, all of which are situated within the Pittsfield, MA Metropolitan Statistical Area (MSA). In addition, the assessment area includes the City of North Adams, and the towns of Williamstown, Clarksburg, Florida, Savoy, Windsor and Peru, which are situated in a Non-MSA. The Pittsfield, MA MSA median Family Household Income (FHI) was \$44,200 in 1998 and \$45,00 in 1999. The statewide Non-MSA median FHI was \$44,900 in 1998 and \$46,400 in 1999.

The assessment area's population totaled 96,762 persons, based on 1990 U.S. Census data. The largest population centers of Pittsfield (48,622 residents), North Adams (16,797 persons) and Adams (9,445 residents) held 77.4% of the assessment area's population. Further, this total population consisted of 38,570 households of which 25,706/66.6% were families.

Table A details the census tract composition of the assessment area and the distribution of family households among these census tracts/geographies.

Table A

ASSESSMENT AREA DEMOGRAPHICS				
CENSUS TRACT INCOME LEVEL	NUMBER OF CENSUS TRACTS WITHIN ASSESSMENT AREA	CENSUS TRACT PERCENTAGE	FAMILY HOUSEHOLDS	HOUSEHOLD PERCENTAGE
LOW	3	12.0%	876	3.4%
MODERATE	5	20.0%	5,110	19.9%
MIDDLE	14	56.0%	16,516	64.2%
UPPER	3	12.0%	3,204	12.5%
TOTAL	25	100.0%	25,706	100.0%

Source: 1990 Census Data

The bank's assessment area consists of 25 census tracts. The low and moderate-income census tracts are located in Pittsfield, North Adams and Adams. Of the 3 low-income census tracts, 1 consists of the downtown area of Pittsfield and contains 775 families with 9.5% owner-occupied dwellings; 1 houses the former General Electric plant in Pittsfield and contains only 12 housing units and 1 is located in Downtown North Adams.

Table B provides an analysis of the family household distribution, the number and percentage of low and moderate-income families (within each municipality and the assessment area) and median family income for each city and town.

Table B

FAMILY HOUSEHOLD DISTRIBUTION AND INCOME DATA*					
LOCATION	FAMILY HOUSEHOLDS		LOW AND INCOME	MODERATE HOUSEHOLDS	MEDIAN FAMILY INCOME
	#	%	#	%	
Adams	2,666	10.4%	1,317	49.4%	\$31,589
North Adams	4,096	15.9%	2,083	50.9%	\$30,894
Williamstown	1,720	6.7%	452	26.3%	\$43,763
Cheshire	961	3.7%	294	30.6%	\$42,406
Clarksburg	1,354	5.3%	457	33.8%	**\$38,454
Florida					\$32,279
Savoy					\$39,063
Windsor					\$48,828
Peru					\$39,231
Lanesborough	897	3.5%	309	34.5%	\$39,805
Pittsfield	13,281	51.7%	5,296	39.9%	\$38,005
Hancock	731	2.8%	181	24.8%	**\$40,577
New Ashford					\$32,083
Richmond					\$50,726
TOTAL	25,706	100.0	10,389	40.4%	

*Source: 1990 Census Data

**Median family incomes listed in same order as towns sharing the census tract.

Adams and North Adams have the lowest Median Family Incomes and the highest percentages (49.4% and 50.9%, respectively) of low and moderate-income families. The City of Pittsfield had 39.9% of all families of low and moderate-income; however, the city's median family income based on 1990 U.S. Census data was well above the other two municipalities. In the early 1990's, Pittsfield lost its principal employer, General Electric Company, whose Pittsfield operations were primarily defense related.

The communities within the assessment area are making efforts to diversify and revitalized their economic base. In the spring of 1999, North Adams opened the Massachusetts Museum of Contemporary Art (MassMOCA). The city hopes to revitalize its Downtown based on increased tourism and retail trade. Currently, the city's largest employers are North Adams Regional Hospital, North Adams State College (recently re-named Massachusetts College of Liberal Arts), Excelsior Printing and Vishay Technology.

In Adams, the "Greylock Center" will be a public recreation center encompassing 1,100 acres adjacent to the Mt. Greylock Reservation. The center is to be used as an environmental education site by the University of Massachusetts and "Nature's Classroom". Greylock Center will eventually have a 200-room hotel, golf course and hiking trails. The construction phase of the project is to provide opportunity to study and develop environmentally "sustainable" construction technology.

There was one community contact made in Adams during the examination. Discussion with this individual and also with bank officers highlighted the concern that Adams as a town has the highest per capital elderly population within Massachusetts. It seems that this situation has been compounded by the Northern Berkshire communities' inability to

provide young people with gainful employment and to have them stay within the area. There has been however, renewed hope with the Massachusetts Museum of Contemporary Art (MassMOCA) completing a successful first season and with the internet/web site company, Tripod in Williamstown successfully expanding its workforce.

For comparative purposes, Table C details by town the percent of owner occupancy, median home values and number of housing units based on 1990 census data.

Table C

ASSESSMENT AREA HOUSING DATA*					
LOCATION	TOTAL OCCUPIED HOUSING UNITS		OWNER-OCCUPIED UNITS	RENTAL UNITS	MEDIAN HOUSING VALUE
	#	%	%	%	
Adams	4,081	10.6%	59.9	40.1	\$92,200
North Adams	6,626	17.3%	50.6	49.4	\$88,900
Williamstown	2,689	7.0%	71.4	28.6	\$147,200
Cheshire	1,291	3.4%	85.4	14.6	\$114,900
Clarksburg	655	1.7%	85.8	14.2	\$91,900
Florida	266	0.7%	90.6	9.4	\$82,400
Savoy	236	0.6%	90.3	9.7	\$92,600
Windsor	277	0.7%	91.3	8.7	\$127,800
Peru	269	0.7%	90.3	9.7	\$99,700
Lanesborough	1,150	3.0%	85.7	14.3	\$113,000
Pittsfield	19,916	51.9%	59.6	40.4	\$111,100
Hancock	246	0.6%	74.8	25.2	\$125,700
New Ashford	71	0.2%	66.2	33.8	\$134,400
Richmond	618	1.6%	86.9	13.1	\$168,100
TOTAL	38,391	100.0%			

* 1990 Census Data

Owner occupancy ratios generally reflect the composition of the existing housing units in a municipality. Single family units in Adams represent 46.0% of the total units while 34.9% of the total units are 2-4 family dwellings. Likewise, single family units in Pittsfield represent 53.2% of the total units, while 30.6% are 2-4 family dwellings. North Adams' single family units represent only 35.9% of all housing units; while 2-4 family and multifamily dwellings (5 or more units) represent 39.3% and 20.1% of all units, respectively. Single family units in Williamstown by comparison, represent 65.6% of all housing units; 2-4 family and multifamily dwellings represent 15.3% and 7.8% respectively, of total housing units.

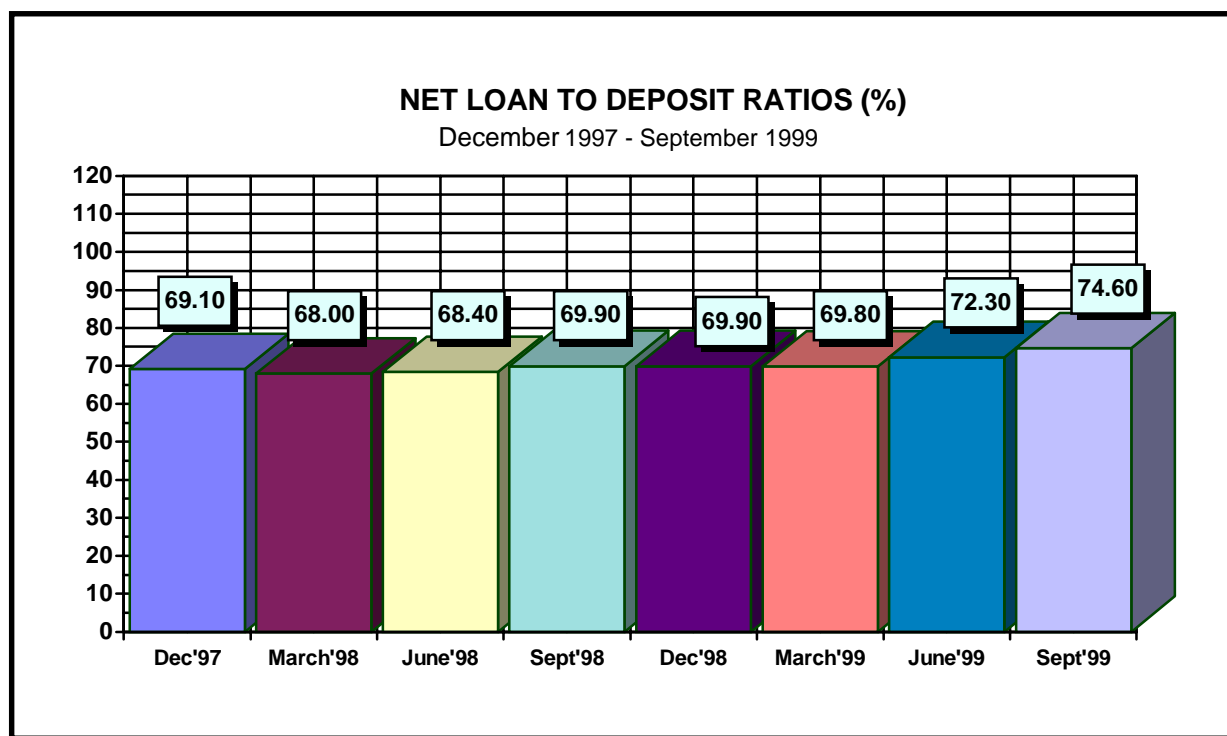
In 1994, the median sales prices of homes based on the Banker and Tradesman data in Adams, North Adams and Williamstown were \$70,000, \$72,500 and \$125,000, respectively.

PERFORMANCE CRITERIA

1. LOAN TO DEPOSIT ANALYSIS

This criterion evaluates the level and trend of the bank's net loan to deposit ratio. The bank's average net loan-to-deposit ratio for the period from December 31, 1997 through September 30, 1999 is 70.3 percent. South Adams Savings Bank's performance is considered reasonable given community credit needs and the institution's lending capacity. The ratio analysis is based on data reported on the bank's FDIC Call Reports.

The following graph depicts the loan to deposit ratio level and trend for the quarters reviewed.



Net loans to deposits remained steady during the initial six quarters shown and rose substantially in the second and third quarters of 1999. Loan growth of 11.2 percent, which exceeded deposit growth of 3.0 percent, provided the increase in the ratio of net loans to deposits. This positive trend indicates the bank's continued efforts to extend credit to its community.

South Adams Savings Bank's performance was compared to six other institutions within its assessment area. The following table provides the loan-to-deposit ratio for the other banks, as well as South Adams Savings Bank. (The institutions are listed with the net loan-to-deposit ratios in descending order.)

INSTITUTION	NET LOAN TO DEPOSIT RATIO*
Williamstown Savings Bank	92.7%
Berkshire Bank.	92.5%
Adams Co-operative Bank	91.8%
City Savings Bank	84.4%
The Pittsfield Co-operative Bank	70.6%
South Adams Savings Bank	69.9%
Hoosac Bank	64.4%

*Source: FDIC Call Report data 12/31/98.

The above community banks ranged in asset size from \$749.6 million (Berkshire Bank) to \$99.5 million (Williamstown Savings Bank). South Adams Savings Bank assets totaled \$143.3 million on December 31, 1998.

In conclusion, the average net loan to deposit ratio of 70.3 percent is reasonable and meets the standards for a satisfactory rating given the bank's capacity to lend, its growth in lending activity and the credit needs of the assessment area.

2. COMPARISON OF CREDIT EXTENDED INSIDE AND OUTSIDE OF THE ASSESSMENT AREA(S)

This second performance criterion evaluates South Adams Savings Bank's record of lending within its assessment area. The institution's lending activity within its assessment area represents a substantial majority and exceeds standards for satisfactory performance.

An analysis of Home Mortgage Disclosure Act (HMDA) Loan Application Register (LAR) data for calendar year 1998 and year to date September 30, 1999 was conducted to determine the institution's performance for this criterion and the two subsequent lending criteria. These HMDA reportable loans include all home purchase mortgages, refinances of home purchase mortgages and home improvement loans. The bank originated 252 residential loans totaling \$18.4 million in 1998, and 194 residential loans totaling \$16.2 million in the first nine months of 1999. Loans originated inside the assessment area represented 86.8 percent of the number and 84.4 percent of the dollar volume of the total 446 loans originated during this period.

Tables 2a and 2b detail (by number and dollar amount of loans) the bank's lending to the municipalities inside its assessment area. The lending activity outside the assessment area is shown in aggregate.

Table 2a

RESIDENTIAL LOANS ORIGINATED BY NUMBER						
LOCATION	1998		1999*		TOTALS	
	#	%	#	%	#	%
Adams	61	24.2%	32	16.5%	93	20.9%
Pittsfield	40	15.9%	42	21.6%	82	18.4%
North Adams	34	13.5%	15	7.7%	49	11.0%
Williamstown	29	11.5%	13	6.7%	42	9.4%
Cheshire	26	10.3%	25	12.9%	51	11.4%
Clarksburg, Florida, Savoy, Windsor & Peru	18	7.1%	22	11.3%	40	9.0%
Lanesborough	13	5.2%	9	4.6%	22	4.9%
Richmond, Hancock, & New Ashford	3	1.2%	5	2.6%	8	1.8%
INSIDE ASSESSMENT AREA	224	88.9%	163	84.0%	387	86.8%
OUTSIDE ASSESSMENT AREA	28	11.1%	31	16.0%	59	13.2%
TOTALS	252	100.0%	194	100.0%	446	100.0%

Source: HMDA/LAR Data; *year-to-date September 30, 1999

Table 2b

RESIDENTIAL LOANS ORIGINATED BY DOLLARS						
LOCATION	1998		1999*		TOTALS	
	\$	%	\$	%	\$	%
Adams	3,405	18.5%	2,095	12.9%	5,500	15.9%
Pittsfield	3,062	16.6%	3,350	20.7%	6,412	18.5%
Williamstown	3,091	16.8%	1,398	8.6%	4,489	13.0%
North Adams	2,283	12.4%	1,348	8.3%	3,631	10.5%
Cheshire	1,762	9.6%	1,910	11.8%	3,672	10.6%
Clarksburg, Florida, Savoy, Windsor & Peru	1,085	5.9%	1,734	10.7%	2,819	8.1%
Lanesborough	872	4.7%	861	5.3%	1,733	5.0%
Richmond, Hancock & New Ashford	252	1.4%	700	4.3%	952	2.8%
INSIDE ASSESSMENT AREA	15,812	85.9%	13,396	82.7%	29,208	84.4%
OUTSIDE ASSESSMENT AREA	2,606	14.1%	2,800	17.3%	5,406	15.6%
TOTALS	18,418	100.0%	16,196	100.0%	34,614	100.0%

Source: HMDA/LAR Data; *year-to-date September 30, 1999

The Town of Adams accounted for 20.9 percent of the total number and 15.9 percent of the total dollar volume of loans granted. The City of Pittsfield placed second with 18.4 percent of the total number and 18.5 percent of the total dollars granted. North Adams and Cheshire received 11.0 percent and 11.4 percent, respectively of the total number of loans granted. Overall, the bank granted a more than reasonable majority of its residential loans inside the assessment area. Based upon the analysis of HMDA data, South Adams Savings Bank's level of lending within the assessment area exceeds the standards for satisfactory performance.

3. DISTRIBUTION OF CREDIT AMONG DIFFERENT INCOME LEVELS

This third performance criterion evaluates the extent to which the institution lends to borrowers of different income levels within its assessment area. The bank's distribution of residential loans to borrowers of different incomes reflects an adequate penetration among the different income levels of borrowers. Based upon the following analysis, South Adams Savings Bank's lending meets the standards for satisfactory performance.

The distribution of loans by borrower income levels is based on the area median family income. The borrowers' income levels are identified as the ratio of the applicant's income to the area median family income. These income levels are defined as low-income (less than 50 percent of the area median income); moderate-income (50 to 79 percent of median family income); middle-income (80 to 119 percent of area median income); and upper-income (120 percent and greater of the area median income).

The Pittsfield MSA median family income was \$44,200 and \$45,000 for 1998 and 1999, respectively. Likewise, the Non-Metropolitan area median income was \$44,900 and \$46,400 for 1998 and 1999, respectively. Tables 3a and 3b detail the bank's residential loan distribution by the borrower income levels.

Table 3a

RESIDENTIAL LOANS BY BORROWER INCOME LEVELS (Number)						
% OF MEDIAN MSA INCOME	1998		1999*		TOTALS	
	#	%	#	%	#	%
<50%	24	10.7	9	5.5	33	8.5
50%-79%	38	17.0	29	17.8	67	17.3
80%-119%	76	33.9	38	23.3	114	29.5
120%>	86	38.4	87	53.4	173	44.7
TOTALS	224	100.0	163	100.0	387	100.0

Source: HMDA/LAR Data; *Year-to-date September 30, 1999

Table 3b

RESIDENTIAL LOANS BY BORROWER INCOME LEVELS (Dollar Amount)						
% OF MEDIAN MSA INCOME	1998		1999*		TOTALS	
	\$(000)	%	\$(000)	%	\$(000)	%
<50%	1,059	6.7	340	2.5	1,399	4.8
50%-79%	1,884	11.9	1,787	13.3	3,671	12.6
80%-119%	4,739	30.0	2,330	17.5	7,069	24.2
120%>	8,130	51.4	8,939	66.7	17,069	58.4
TOTALS	15,812	100.0	13,396	100.0	29,208	100.0

Source: HMDA/LAR Data ;*Year-to-date September 30, 1999

South Adams Savings Bank granted 387 residential loans for \$29.2 million within the assessment area. Loans extended to upper income borrowers represented the largest category with 44.7 percent of the total number and 58.4 percent of the total dollar amount for the period reviewed. Loans extended to middle income borrowers were next with 29.5 percent of the total number and 24.2 percent of the total dollar amount. The number of loans originated to low-income and moderate-income borrowers represented 8.5 percent and 17.3 percent, respectively. Further, the dollar amount of loans originated to low and moderate income borrowers was 4.8 percent and 12.6 percent, respectively.

There are 25,706 families residing within the assessment area based on 1990 U.S. Census information. Low-income and moderate-income families represented 21.0% and 19.4%, respectively of the total families. Middle income families comprised 25.0% of all family households. While upper income families totaled 34.6% of all families. The bank's lending reflects proportionally all income levels with the exception of low-income families. Overall, however the bank's portion of lending to low-income families/borrowers is reasonable given economic factors affecting the ability of these families to support/afford homeownership.

Further, South Adams Savings Bank's borrower lending distribution for 1998 was compared to 1998 HMDA aggregate data representing all other lenders active within the assessment. Table 3c provides this comparison.

Table 3c

BANK'S 1998 HMDA REPORTED LOANS COMPARED TO AGGREGATE DATA								
Borrower Income Level	Bank		All Other Reporters		Bank		All Other Reporters	
	#	%	#	%	\$(000)	%	\$(000)	%
<50%	24	10.7%	177	6.6%	1,059	6.7%	7,770	3.6%
50%-79%	38	17.0%	475	17.7%	1,884	11.9%	26,842	12.4%
80%-119%	76	33.9%	694	25.9%	4,739	30.0%	47,504	21.9%
>120%	86	38.4%	1,019	38.0%	8,130	51.4%	109,032	50.3%
NA	0	0.0%	316	11.8%	0	0.0%	25,607	11.8%
Total	224	100.0%	2,681	100.0%	15,812	100.0%	216,755	100.0%

Source: HMDA Data compiled by PCI Services, Inc. CRA Wiz

The bank's lending to low-income and middle-income borrowers exceeded the aggregate lender's performance while lending to moderate-income and upper income borrowers closely reflects the aggregate lenders' levels.

In summary, South Adams Savings Bank's level of penetration among all income levels of borrowers given assessment area demographic and aggregate lenders' performance is considered reasonable and meets standards for satisfactory performance.

4. GEOGRAPHIC DISTRIBUTION OF LOANS

The fourth performance criterion evaluates the institution's record of addressing the credit needs of the assessment area based on the geographic distribution of loans. The bank's performance for this criterion was found to be reasonable and to meet standards for a satisfactory performance. The institution's HMDA reportable lending activity was utilized to determine the geographic distribution of loans.

The assessment area has a total of 25 census tracts. Of these census tracts 3 or 12.0% are designated as low-income; 5 or 20.0% as moderate-income; 14 or 56.0% as middle-income and 3 or 12.0% as upper-income.

Owner-occupied properties (1-4 family) within the low-income and moderate-income tracts represent 1.1 percent and 15.4 percent, respectively of the total owner-occupied properties within the assessment area. By comparison, 68.6 percent of the owner-occupied properties are located in middle-income tracts and 14.9 percent are in upper-income tracts. Tables 4a and 4b depict the bank's residential loan originations within the assessment area by census tract classification.

Table 4a

RESIDENTIAL LOANS BY CENSUS TRACT (Number)						
CENSUS TRACT	1998		1999*		TOTALS	
	#	%	#	%	#	%
LOW	4	1.8	1	0.6	5	1.3
MODERATE	47	21.0	24	14.7	71	18.3
MIDDLE	160	71.4	121	74.3	281	72.6
UPPER	13	5.8	17	10.4	30	7.8
TOTALS	224	100.0	163	100.0	387	100.0

Source: HMDA/LAR Data *year-to-date September 30, 1999

Table 4b

RESIDENTIAL LOANS BY CENSUS TRACT (Dollar Amount)						
CENSUS TRACT	1998		1999*		TOTALS	
	\$(000)	%	\$(000)	%	\$(000)	%
LOW	233	1.5	109	0.8	342	1.2
MODERATE	2,443	15.5	1,507	11.2	3,950	13.5
MIDDLE	12,121	76.6	10,113	75.6	22,234	76.1
UPPER	1,015	6.4	1,667	12.4	2,682	9.2
TOTALS	15,812	100.0	13,396	100.0	29,208	100.0

Source: HMDA/LAR Data *year-to-date September 30, 1999

The bank's lending within the middle income tracts represents the preponderance of loans granted with 281 loans or 72.6% of the total 387 loans granted located within these tracts. The bank's lending within the moderate-income geographies is the second largest area of lending concentration with 71 loans or 18.3% of the total loans granted situated within these tracts. Loans granted within the low-income tracts are the smallest segment of the institution's residential lending totaling 5 loans or 1.3%. Lastly, loans granted within the upper tracts numbered 30 loans or 7.8% of the total loans granted.

The bank's residential loan distribution corresponds reasonably to the assessment area's census tract composition and also to the distribution of owner occupied (1-4 family) housing units situated within the census tracts. Table 4c further compares South Adams Savings Bank's 1998 geographic lending distribution to the 1998 aggregate HMDA lenders' geographic loan distribution and to the distribution of owner occupied (1-4 family) dwellings among the census tracts/geographies.

Table 4c

COMPARISON OF BANK'S CENSUS TRACT DISTRIBUTION TO AGGREGATE DATA¹										
CENSUS TRACT INCOME CATEGORY	1-4 FAMILY OWNER-OCCUPIED PROPERTIES		SOUTH ADAMS SAVINGS BANK 1998				1998 AGGREGATE DATA			
			NUMBER OF LOANS		DOLLAR AMOUNT		NUMBER OF LOANS		DOLLAR AMOUNT	
	#	%	#	%	\$(000)	%	#	%	\$(000)	%
LOW	257	1.1	4	1.8	233	1.5	76	2.8	4,416	2.0
MODERATE	3,688	15.4	47	21.0	2,443	15.5	370	13.8	20,908	9.7
MIDDLE	16,434	68.6	160	71.4	12,121	76.6	1,674	62.5	125,483	57.9
UPPER	3,570	14.9	13	5.8	1,015	6.4	561	20.9	65,948	30.4
TOTAL	23,949	100.0	224	100.0	15,812	100.0	2,681	100.0	216,755	100

Source: *1990 Census Data, *HMDA/LAR Data ¹©PCI Services, Inc.CRA WIZ

South Adams Savings Bank's geographic loan distribution compares favorably to the 1998 aggregate data across all census tract income levels. The institution's lending activity within the low-income tracts is only slightly below that of the aggregate lenders. However, the bank's lending activity within the moderate-income and middle-income geographies exceeded (by both number and dollar volume of loans) the aggregate lenders' distribution.

Overall, South Adams Savings Bank's geographic distribution of residential loans is reasonable given the assessment area housing demographics and census tract composition. Consequently, the bank's lending activity for this criterion meets the standards for a satisfactory performance.

5. REVIEW OF COMPLAINTS AND FAIR LENDING POLICIES AND PRACTICES

There were no CRA related complaints received by the South Adams Savings Bank for the period reviewed. The institution's loan and fair lending policies contain statements prohibiting any illegal discrimination in lending practices. Fair lending policy outlines guidelines for proper and timely notice regarding either adverse action, incompleteness of an application or notice of loan approval. South Adams Savings Bank's record of implementing fair lending policies and practices meets standards for satisfactory performance. The following discussions of the institution's fair lending practices are based on guidelines established by the Division of Banks Regulatory Bulletin 2.3-101.

STAFF TRAINING

A consultant for the bank presented a diversity training seminar in May 1998. All employees attended this one-day training session. The bank also sends staff members to various training seminars sponsored by the Massachusetts Bankers Association and the Bank Compliance Association of Western Massachusetts.

STAFF COMPOSITION AND COMPENSATION

South Adams Savings Bank has 34 full-time and 6 part-time employees. There are no minorities employed by the institution. There are two staff members who are bilingual in Polish.

Loan officers are paid on a salary basis and are therefore encourage to make loans of all dollar amounts.

OUTREACH

The purpose of outreach to community organizations and individuals is to afford the institution the opportunity to ascertain the credit needs of its entire assessment area. The bank through several of its officers has developed relationships with area organizations, which deal with credit, housing or economic development issues. These organizations include but are not limited to the following: Northern Berkshire Chamber of Commerce, Town of Adams Department of Community Development and the Berkshire Housing Development Corporation.

CREDIT PRODUCTS AND UNDERWRITING STANDARDS

South Adams Savings Bank reviews its credit products and its underwriting standards on an on-going basis.

South Adams Savings Bank offers several mortgage loan products, home equity lines of credit, home improvement and consumer loan products. The bank offers fixed rate mortgage loans with varying maturities from 10 to 30 years. South Adams Savings Bank began offering 30 year fixed rate mortgages in mid-1999. The bank has earmarked \$1.0 million to be extended in 30-year fixed rate mortgage loans. Furthermore, the bank offers adjustable rate mortgages (ARMs) including 1 year ARM, 3 year ARM and a 5/1 fixed adjustable mortgage product. All mortgage products allow for loan to value (LTV) ratios up to 95%. The bank now offers a biweekly repayment option on all mortgage loan programs. South Adams Savings Bank does not charge loan fees except, appraisal and attorney closing fees on all its mortgage loan offerings. Further, the bank provides a First Homebuyer Savings Account, which offers a 1-year certificate of deposit rate.

Furthermore, the bank offers home equity lines of credit with 10 year drawn period and 10 year repayment period and maximum LTV of 80%. Consumer loan products offered include unsecured personal loans, new and used auto loans, home improvement loans (secured with 80% LTV), student loans and collateral and time loans.

The South Adams Savings Bank is a participating lender in the "Good Samaritan Homeownership Program", administered by Berkshire Housing Development Corporation. The program provides low and moderate-income borrowers/homebuyers with homebuyer education and counseling, soft second mortgages up to 15% of the property value and below mortgage interest rates. The bank granted 5 mortgage loans totaling \$306,831 under the "Good Samaritan" program during the period reviewed.

Likewise, the bank participates as a lender in a home rehabilitation program offered by the Town of Adams Office of Community Development. The town receives funds for housing rehabilitation under the Massachusetts Small Cities Program, which are then granted to income eligible homeowners. These grant funds combined with the lender's lower cost home improvement loan enable homeowners to undertake needed property upgrades. The bank had one of these home rehabilitation loans pending during the examination.

MARKETING

The bank's advertisements reach all segments of the assessment area. The bank largely utilizes print media and some radio advertising to inform the public of its credit products. Advertisements appear regularly in local newspapers including: The Berkshire Eagle, a county-wide daily newspaper; The North Adams Transcript, a daily paper serving Northern Berkshire County, and The Advocate, a free weekly newspaper circulated county-wide. The bank advertised mortgage and car loans in these publications throughout the year, along with banking services and deposit products. In addition, the bank advertises on local radio stations WNAW (AM 1230) and WMNB (FM 100.1). Radio campaigns include image and product and service advertisements. The bank's lobby includes a computer kiosk serving as a customer information center.

South Adams Savings Bank participates in the annual April Trade Show of the Northern Berkshire Chamber of Commerce.

CREDIT EDUCATION AND COUNSELLING

A lending officer served as a presenter in February 1999 in the Good Samaritan Homeownership Program's counseling seminars. South Adams Savings Bank has committed to provide the program with assistance yearly in presenting a homeownership seminar.

Consumer Credit Counseling Service of Massachusetts, Inc (CCCS) first opened offices in Berkshire County in late 1996. South Adams Savings Bank continues to support this organization's efforts and regularly refers borrowers in need of credit counseling to CCCS. The bank also provides notice of CCCS's services to its loan customers who are delinquent on their loan payments.

SECOND REVIEW PRACTICES AND INTERNAL CONTROLS

South Adams Savings Bank has a written second review procedure included in the bank's loan policy. The procedure calls for a peer review to ensure that all avenues are explored in an effort to grant the loan request and that fair lending practices are followed. This process serves as the bank's primary means of detecting any potential discriminatory practices. In addition, the bank's Board of Investment reviews all loan requests over \$25,000, which are recommended for denial.

Other internal control procedures established by the bank include customer complaint resolution procedures and geographic mapping of Home Mortgage Disclosure Act -Loan Application Register (HMDA-LAR) data.

MINORITY APPLICATION FLOW

The bank's residential loan application flow for the period January 1, 1998, through September 30, 1999 was reviewed. During this period the bank received 466 loan applications from within the assessment area. A total of 12 loan applications representing 2.6 percent of the total applications received for the period reviewed were from minority applicants. The aggregate HMDA-reporting lenders within the bank's assessment area received 2.3 percent of their total applications from minority applicants. The bank's assessment area is composed of 96,762 individuals. Minority residents represent 4.0 percent of the total population.

Refer to the table below for the comparison of South Adams Savings Bank's minority application flow to the aggregate HMDA lenders performance.

MINORITY APPLICATION FLOW*								
RACE	AGGREGATE 1998 DATA		BANK 1998		BANK 1999		BANK TOTAL	
	#	%	#	%	#	%	#	%
<i>Native American</i>	8	0.2	0	0.0	0	0.0	0	0.0
<i>Asian</i>	12	0.3	2	0.7	1	0.5	3	0.6
<i>Black</i>	35	0.9	3	1.1	1	0.5	4	0.9
<i>Hispanic</i>	16	0.4	1	0.4	2	1.0	3	0.6
<i>Other</i>	21	0.5	1	0.4	1	0.5	2	0.4
TOTAL MINORITY	92	2.3	7	2.6	5	2.6	12	2.6
<i>White</i>	2,848	72.2	265	97.4	189	97.4	454	97.4
<i>NA</i>	1,007	25.5	0	0.0	0	0.0	0	0.0
TOTAL	3,947	100.0	272	100.0	194	100.0	466	100.0

*Source: PCI Services, Inc., CRA Wiz Software.

South Adams Savings Bank level of attracting minority applicants is adequate given aggregate HMDA lenders data and the assessment area demographics.

CONCLUSION

South Adams Savings Bank's record of implementing and developing fair lending policies and practices is rated "Satisfactory". This rating is based on regular efforts to offer a variety of credit products to meet the needs of different segments of the population and to market those credit products to all segments of its assessment area, credit education through support of first time home buyer seminars, promoting of consumer credit counseling, and implementation of second review and internal control procedures.

THE COMMONWEALTH OF MASSACHUSETTS

To the COMMISSIONER OF BANKS:

THIS IS TO CERTIFY, that the report of examination of the

SOUTH ADAMS SAVINGS BANK

for compliance with applicable consumer and fair lending rules and regulations and the Community Reinvestment Act (CRA), as of the close of business **DECEMBER 1, 1999**, has been read to or by the undersigned and the matters referred to therein will have our immediate attention.

_____	_____
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A majority of the Board of Directors/Trustees

Dated at _____ this _____ day of _____ 20 _____

PERFORMANCE EVALUATION DISCLOSURE GUIDE

Massachusetts General Laws Chapter 167, Section 14, as amended, and the Uniform Interagency Community Reinvestment Act (CRA) Guidelines for Disclosure of Written Evaluations require all financial institutions to take the following actions within 30 business days of receipt of the CRA evaluation of their institution:

- 1) Make its most current CRA performance evaluation available to the public;
- 2) At a minimum, place the evaluation in the institution's CRA public file located at the head office and at a designated office in each local community;
- 3) Add the following language to the institution's required CRA public notice that is posted in each depository facility:

"You may obtain the public section of our most recent CRA Performance Evaluation, which was prepared by the Massachusetts Division of Banks, at (Address at main office)."

[Please Note: If the institution has more than one local community, each office (other than off-premises electronic deposit facilities) in that community shall also include the address of the designated office for that community.]

- 4) Provide a copy of its current evaluation to the public, upon request. In connection with this, the institution is authorized to charge a fee that does not exceed the cost of reproduction and mailing (if applicable).

The format and content of the institution's evaluation, as prepared by its supervisory agency may not be altered or abridged in any manner. The institution is encouraged to include its response to the evaluation in its CRA public file.